

IRON RIVER TOWNSHIP
(IRON)

Financial Report
with Supplemental Information
Prepared in Accordance with GASB 34

MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name IRON RIVER TOWNSHIP	County IRON
Audit Date MARCH 31, 2004	Opinion Date MAY 27, 2004	Date Accountant Report Submitted to State: SEPTEMEBR 30, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

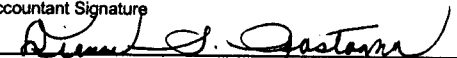
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) DS ROSTAGNO, CPA, P.C.			
Street Address 101 WEST MAPLE STREET	City IRON RIVER	State MI	ZIP 49935
Accountant Signature 		Date SEPTEMEBR 30, 2004	

IRON RIVER TOWNSHIP

Report Letter	<u>Page</u>
	3-4
Management's Discussion and Analysis	5-15
Basic Financial Statements	
District-wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities	17
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	18
Reconciliation of Balance Sheet of Governmental Funds to Net Assets	19
Statement of Revenue, Expenditures, and Changes in Fund Balances	20
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Enterprise Funds - Statement of Fund Net Assets	22
Enterprise Funds - Statement of Revenues, Expenses, and Changes in Fund Net Assets	23
Enterprise Funds - Statement of Cash Flows	24-25
Fiduciary Fund - Statement of Fiduciary Net Assets	26
Notes to the Financial Statements	27-86
Required Supplemental Information	
Budgetary Comparison Schedule - General Fund	87
Budgetary Comparison Schedule - Cemetery Fund	88
Other Supplemental Information	
Combining Balance Sheet - Non-major Governmental Funds	89
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Non-major Governmental Fund	90
Combining Balance Sheet - All Special Revenue Funds	91
Combining Statement of Revenues, Expenditures, and Changes in Fund Equity - All Special Revenue Funds	92
Combining Balance Sheet - All Proprietary Fund Types	93
Combining Statement of Revenues, Expenses, and Changes in Retained Earnings - All Proprietary Fund Types	94

IRON RIVER TOWNSHIP

	<u>Page</u>
Other Supplemental Information (Continued)	
Combining Statement of Cash Flows - Proprietary Fund Types	95-96
General Fund - Balance Sheet	97
General Fund - Statement of Revenues - Actual and Budget	98
General Fund - Statement of Expenditures - Actual and Budget	99-102
Cemetery Fund - Balance Sheet	103
Cemetery Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Actual and Budget	104
Liquor Law Enforcement Fund - Balance Sheet	105
Liquor Law Enforcement Fund - Statement of Revenues, Expenditures, and Changes in Fund Equity - Actual and Budget	106
Township Improvement Revolving Fund - Balance Sheet	107
Township Improvement Revolving Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance	108
Cemetery Perpetual Care Trust Fund - Balance Sheet	109
Cemetery Perpetual Care Trust Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance	110
Water Fund - Balance Sheet	111
Water Fund - Statement of Revenues, Expenses, and Changes in Retained Earnings	112
Water Fund - Statement of Cash Flows	113-114
Sewer Fund - Balance Sheet	115
Sewer Fund - Statement of Revenues, Expenses, and Changes in Retained Earnings	116
Sewer Fund - Statement of Cash Flows	117-118
Tax Collection Fund - Statement of Changes in Assets and Liabilities	119
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards	120-121

INDEPENDENT AUDITOR'S REPORT

DS Rostagno, CPA, P.C.

**101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042**

Board of Trustees
Iron River Township
102 McNutt Road
Iron River, Michigan 49935

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of **Iron River Township**, as of and for the fiscal year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Trustees, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.


In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of **Iron River Township** at March 31, 2004, and the respective changes in financial position and cash flows thereof for the fiscal year ended, in conformity with generally accepted accounting principles in the United States of America.

As described in Note A, **Iron River Township** has implemented a new financial reporting model, as required by the provisions of GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 01, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2004 on our consideration of **Iron River Township's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 5 through 15 and the budgetary comparison information are not a required part of the basic financial statements but are supplemental information required by the *Governmental Accounting Standards Board* and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquires of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Iron River Township's** basic financial statements. The combining and individual fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

May 27, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

IRON RIVER TOWNSHIP

IRON RIVER, MICHIGAN 49935

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The management of **Iron River Township** provides this narrative overview and analysis of the financial activities of **Iron River Township** for the fiscal year ended March 31, 2004. As readers, you are encouraged to read this discussion and analysis in conjunction with the Township's financial statement information included in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the Township include general government, legislative, Township property, public safety, public works, cemetery, and culture and recreation. The business-type activities of the Township are the Water and Sewer and Utility services.



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Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains five governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general, cemetery, and capital projects fund, all of which are considered major funds. The Liquor Law Enforcement Fund and the Cemetery Perpetual Care Fund (classified as a permanent fund) are non-major governmental funds. Individual fund data for each fund is presented separately in the "Other Supplementary Information" section of this report.

The Township adopts an annual budget for its general and other governmental funds. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general and other major governmental funds, and is included in the "Required Supplementary Information" section of this document.



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Proprietary Funds

Proprietary Funds provide services for which the Township charges customers a fee. The Township has only one type of proprietary fund - an enterprise fund. The enterprise fund of the Township is used to report the same functions as the business-type activities in the government-wide financial statements. The Water and the Sewer Utility funds are presented separately in both the government-wide financial statements and the fund financial statements and both are considered major funds. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary fund for the Township is the Tax Collection Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

Notes to the Financial Statements

Notes to the financial statements are included in the basic financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

Supplementary Information

Required supplementary information follows the basic financial statements, and includes budgetary comparison schedules for the General Fund and the Township's major special revenue funds as presented in the governmental fund financial statements.

A separate financial statement for the Township's non-major governmental funds is also included in the Other Supplementary Information section of this document.



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Government-wide Financial Analysis

In time, net assets of a governmental entity may serve as a useful indicator of the government's financial position. In the case of the Township, assets exceeded liabilities by \$ 3,454,861 at March 31.

By far, the largest portion of the Township's net assets is its investment in capital assets (land, buildings, machinery, and equipment), less any outstanding debt related to acquiring the asset. These capital assets are used to provide services to citizens and are not available for future spending. The Township had no outstanding debt at March 31, 2004; hence, the Township reported \$ 2,159,954 in net assets invested in capital assets.

External restrictions of the Township's net assets represent resources subject to existing external obligations or programmatic control on future use. The remaining balance of unrestricted net assets of \$ 928,662 may be used to meet the government's ongoing obligations to citizens and creditors.

Total net assets in excess of liabilities at March 31 for the governmental activities and business-type activities were \$ 939,029 and \$ 2,515,832, respectively.

The following summarizes the net assets at fiscal year ended March 31, 2004. Although GASB 34 requires that comparative financial data be presented, since this is the first year of implementation, prior year data is not available. Comparative financial data will be included in this schedule in subsequent years.

	Primary Government		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current and other assets	\$ 908957	\$ 387418	\$ 1296375
Capital assets, net	<u>31540</u>	<u>2128414</u>	<u>2159954</u>
Total Assets	\$ 940497	\$ 2515832	\$ 3456329



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Government-wide Financial Analysis (Continued)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Long-term liabilities	\$ 0	\$ 0	\$ 0
Other liabilities	<u>1468</u>	<u> </u>	<u>1468</u>
Total Liabilities	1468	0	1468
Net Assets			
Invested in capital assets, net of related debt	31540	2128414	2159954
Designated		190211	190211
Restricted	176034		176034
Unrestricted	<u>731455</u>	<u>197207</u>	<u>928662</u>
Total Net Assets	939029	2515832	3454861

For governmental activities, net assets increased by \$ 46,491 during the fiscal year. For business-type activities, net assets decreased by \$ 45,465 during the fiscal year.

The following represents the changes in net assets for both governmental and business-type activities for the fiscal year ended March 31, 2004: (Please note that since this is the first year of implementation of GASB 34, prior year financial data is not available, but will be provided in subsequent years.)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
REVENUES			
Program Revenues			
Charges for services	\$ 43676	\$ 248920	\$ 292596
Operating grants/contributions	523		523
General Revenues			
Property taxes	102320		102320
Other taxes	45841		45841
Unrestricted grants	95733		95733
Other	<u>26618</u>	<u>10424</u>	<u>37042</u>
Total Revenues	\$ 314711	\$ 259344	\$ 574055



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Government-wide Financial Analysis (Continued)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>EXPENSES</u>			
General government	\$ 86642	\$	\$ 86642
Legislative	30345		30345
Township property	32081		32081
Public safety	19640		19640
Public works	65850		65850
Cemetery	28538		28538
Culture and recreation	1540		1540
Depreciation	3584		3584
Total governmental expenses	268220	-0-	268220
<u>Business-type activities:</u>			
Water		167532	167532
Sewer		137277	137277
Total business-type expenses	-0-	304809	304809
TOTAL EXPENSES	\$ 268220	\$ 304809	\$ 573029
 Increase (Decrease) in net assets before transfers	 46491	 (45465)	 1026
Transfers - net	0	0	0
 Increase (Decrease) in Net Assets	 46491	 (45465)	 1026
 Net Assets, beginning of year	 892538	 2561297	 3453835
Net Assets, end of year	\$ <u>939029</u>	\$ <u>2515832</u>	\$ <u>3454861</u>



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Governmental Activities

Property taxes and other tax revenues comprise \$ 148,161 or approximately 47 percent of total governmental revenues.

The Township also collected \$ 43,676 for services provided. And, at fiscal year-end, the Township reported \$ 95,733 in grants and contributions not restricted for specific programs. This amount was due entirely to the State of Michigan's state sales tax distribution and comprises approximately 30 percent of total governmental revenues.

The Township expended \$ 268,220 on governmental programs and services. Some of the largest expense categories were for general government, where \$ 86,642, or 32 percent of total governmental expenditures were reported. Public works expenditures were \$ 65,850, or 25 percent of total governmental expenditures. A total of \$ 32,081 was expended on the maintenance of Township property.

Business-type Activities

Business-type activities decreased the Township's net assets by \$ 45,465. Charges for services for the Water and Sewer activities for the year ended were \$ 122,716 and \$ 126,204, respectively. Total expenses for the Water and Sewer activities for the year ended were \$ 167,532 and \$ 137,277, respectively.

Financial Analysis of the Governmental Funds

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.



IRON RIVER TOWNSHIP

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Governmental Funds (Continued)

The Township's governmental funds reported combined ending fund balances of \$ 1,050,448, of which \$ 180,370 is reserved and the remaining \$ 844,729 is available for spending at the government's discretion.

The Township primary governmental fund is its general fund. There are no reservations in the general fund's fund balance.

On the budgetary basis of accounting, the Township ended the fiscal year with revenues greater than the final projection. Total expenditures were considerably less than the final projection. At fiscal year-end, the fund balance was higher than either the original or the final amended budget projections.

General fund financial and budgetary highlights of the fiscal year include:

- * Property taxes, administration fees, and other taxes exceeded budgetary projections by \$ 31,141.
- * State sales tax distributions were up from the final amended budget, coming in at \$ 95,733, which exceeds by \$ 10,733 the budgeted estimates of \$ 85,000.
- * Income from investments and rental were \$ 15,777, up by \$ 5,027 from both the original and final amended budget of \$ 10,750.
- * Expenditures in total for the general fund were \$ 248,242, less than the final amended budget of \$ 316,610 by \$ 68,368. This was largely due to the fact that expenditures for public works and the Township Hall were considerably less than the amounts appropriated for these purposes.

Special revenue funds financial and budgetary highlights of the fiscal year include:

- * In the Cemetery Fund, which is the only major special revenue fund, both grave openings and lot sales exceeded budgetary expectations, totaling \$ 33,200 compared to the original and final budgeted amount of \$ 24,335.



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Governmental Funds (Continued)

- * Expenditures in the Cemetery Fund totaled \$ 29,646, which exceeded budgetary amounts of \$ 25,310 by \$ 4,336, or approximately 17 percent. Salaries and benefits came in right on track; however, expenditures for repair, maintenance, and other supplies totaled \$ 6,896, which is \$ 2,436 more than the budgeted \$ 4,460. During the fiscal year ended March 31, the Township expended \$ 2,331 for water system improvements at the cemetery. Funding for this project was accomplished by a transfer from earnings in the Perpetual Care Fund to the Cemetery (operating) Fund, where the expenditure was made. Neither the transfer in, nor the capital expenditure, are reflected in the budget.

Proprietary Funds

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Fund at year-end were \$60,367; \$ 152,633 of Township equity in the Water Fund was invested in capital assets, and \$ 190,211 was held in form of bonds, and is designated for water system improvements. Total net assets in the Water Fund on March 31 were \$ 403,211. The change in net assets was a loss of \$ 35,361. Net assets for the beginning of the year were restated to reflect a cumulative effect of a change in accounting principal, resulting from the elimination of contributed capital as required by GASB 34.

Unrestricted net assets of the Sewer Fund at year-end were \$ 8,788. An additional \$ 1,975,781 is invested in capital assets, bringing the total net assets of the Sewer Fund to \$ 1,984,569. The change in net assets was a loss \$ 10,104. As with the Water Fund, described above, net assets for the beginning of the year were restated to reflect a cumulative effect of a change in accounting principal, resulting from the elimination of contributed capital as required by GASB 34. This resulted in a positive adjustment to retained earnings in the fund financial statements, and eliminated the deficit in the Sewer Fund which had been an on-going problem since the adoption of NCGA Statement No. 2.

Capital Assets and Debt Administration

Capital Assets

The Township's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of March 31 was \$ 2,159,954. The investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, and licensed vehicles.



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Capital Assets and Debt Administration (Continued)

Capital Assets (Continued)

Infrastructure assets represent \$ 2,855,719 or approximately 83 percent of the estimated original cost of total assets. All infrastructure is accounted for in the Water, Sewer, and Cemetery Funds. There is no infrastructure attributed to the General Fund.

Major capital events during the current fiscal year included:

- * Installation of a new roof on the warehouse at a cost of \$ 11,500.
- * Purchase of a laser printer for \$ 1,204.
- * Water system improvements at the cemetery in the amount of \$ 2,331.

Long-term debt

As of March 31, the Township (including the enterprise funds) had no bonded debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. Since the Township has no general obligation debt, this is not currently a concern to the Township.

Other Economic Factors and Next Year's Budget

Economic Factors

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state budget cuts will likely translate into strategic reductions of Township expenses to maintain a fiscally sound budget.

Despite the poor outlook of the State's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families, and maintain a safe and clean community in which to live.



IRON RIVER TOWNSHIP

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Other Economic Factors and Next Year's Budget (Continued)

Economic Factors (Continued)

The Township's fiscal year 2004-2005 general fund budget is \$ 334,595 representing an increase from the previous fiscal year. This is due in part to an increased appropriation for contractual services for road repair.

Significant plans and major priorities for the Township for the 2004-2005 fiscal year include the engineering for the proposed Township Water System Improvement Project, and pursuing the funding required to make this project possible.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor
Iron River Township
102 McNutt Road
Iron River, Michigan 49935



BASIC FINANCIAL STATEMENTS

IRON RIVER TOWNSHIP

STATEMENT OF NET ASSETS

MARCH 31, 2004

	<u>PRIMARY GOVERNMENT</u>		<u>TOTAL</u>
	<u>GOVERNMENTAL</u>	<u>BUSINESS-</u>	<u>REPORTING</u>
	<u>ACTIVITIES</u>	<u>TYPE</u>	<u>ENTITY</u>
		<u>ACTIVITIES</u>	
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash and Investments (Note C)	\$ 897582	\$ 178980	\$ 1076562
Receivables			
Taxes	11375		11375
Accounts Receivable		18227	18227
Total Current Assets	908957	197207	1106164
<u>Noncurrent Assets</u>			
Restricted Cash and Investments		190211	190211
Capital Assets, Net (Note H)	31540	2128414	2159954
Total Noncurrent Assets	31540	2318625	2350165
TOTAL ASSETS	940497	2515832	3456329
<u>LIABILITIES</u>			
<u>Current Liabilities</u>			
Accounts Payable	499		499
Accrued Salaries and Benefits	894		894
Deferred Revenue	75		75
Total Current Liabilities	1468	0	1468
TOTAL LIABILITIES	1468	0	1468
<u>NET ASSETS</u>			
Invested in Capital Assets, Net			
of Related Debt	31540	2128414	2159954
Restricted for Cemetery	46793		46793
Restricted for Cemetery Perpetual			
Care	83856		83856
Restricted for Capital Projects	69836		69836
Restricted for Liquor Law Enforcement	898		898
Designated for Water System			
Improvements		190211	190211
Unrestricted/Undesignated	706106	197207	903313
TOTAL NET ASSETS	\$ 939029	\$ 2515832	\$ 3454861

The notes to the financial statements are integral part of this report.

IRON RIVER TOWNSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2004

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRM REVENUES</u>		
		<u>CHARGES FOR SERVICE</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS</u>
Primary Government -	\$	\$	\$	\$
General government	86642	6271		
Legislative	30345			
Township property	32081	985		
Public safety	19640		523	
Public works	65850			
Cemetery	28538	36420		
Sanitation and health	0			
Culture and recreation	1540			
Depreciation (Unallocated)	<u>3584</u>			
Total Governmental Activities	268220	43676	523	0
 <u>Business-type Activities</u>				
Water Utility	167532	122716		
Sewer Utility	<u>137277</u>	<u>126204</u>		
Total Business-type Activities	304809	248920	0	0

General Revenues:

Taxes:

 Property taxes levied for general operations
 Other taxes and fees
 State Sales Tax Distribution
 Sale of Property
 Interest and Investment Earnings
 Other

Total General Revenues

CHANGE IN NET ASSETS

NET ASSETS - BEGINNING OF YEAR

NET ASSETS - END OF YEAR

IRON RIVER TOWNSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2004

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS</u> <u>TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
\$	\$	\$
(80371)		(80371)
(30345)		(30345)
(31096)		(31096)
(19117)		(19117)
(65850)		(65850)
7882		7882
0		0
(1540)		(1540)
(3584)		(3584)
<u>(224021)</u>	<u>-0-</u>	<u>(224021)</u>
	(44816)	(44816)
	(11073)	(11073)
-0-	(55889)	(55889)
102320		102320
45841		45841
95733		95733
0		0
23176	10424	33600
3442		3442
<u>270512</u>	<u>10424</u>	<u>280936</u>
46491	(45465)	1026
892538	2561297	3453835
\$ <u>939029</u>	\$ <u>2515832</u>	\$ <u>3454861</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**BALANCE SHEET
GOVERNMENTAL FUNDS**

MARCH 31, 2004

	<u>GENERAL FUND</u>	<u>CEMETERY FUND</u>	<u>CAPITAL PROJECTS FUND</u>
<u>ASSETS</u>			
Cash and Investments (Note C)	\$	\$	\$
Unrestricted	691863	24280	69836
Restricted			
Receivables:			
Taxes	11375		
Accounts Receivable			
Due from Other Funds	<u>142959</u>	<u>1500</u>	
TOTAL ASSETS	\$ <u>846197</u>	\$ <u>25780</u>	\$ <u>69836</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Deposits	75		
Accrued Taxes and Benefits	894		
Accounts Payable	499		
Due to Other Funds	<u>0</u>		
TOTAL LIABILITIES	1468	0	0
<u>FUND BALANCES</u>			
Reserved for Cemetery		25780	
Reserved for Cemetery Perpetual Care			
Reserved for Capital Projects			69836
Reserved for Liquor Law Enforcement			
Unreserved and undesignated	<u>844729</u>		
TOTAL FUND BALANCES	844729	25780	69836
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>846197</u>	\$ <u>25780</u>	\$ <u>69836</u>

IRON RIVER TOWNSHIP

BALANCE SHEET GOVERNMENTAL FUNDS

MARCH 31, 2004

NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 111603	\$ 897582
	0
	0
	11375
	0
	<u>144459</u>
<u>111603</u>	<u>1053416</u>
\$ 1500	75
	894
	499
<u>1500</u>	<u>1500</u>
1500	2968
25349	51129
83856	83856
898	69836
	898
	<u>844729</u>
110103	1050448
\$ <u>111603</u>	\$ <u>1053416</u>

The notes to the financial statements are in integral part of this report.

IRON RIVER TOWNSHIP

GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

MARCH 31, 2004

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1050448

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

The cost of capital assets is:	315230
Accumulated depreciation is:	(283690)

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Bonds payable	0
Compensated Absences	0

Other long-term assets not available to pay current period expenditures therefore deferred in the funds

0

Accrued interest is not included as a liability in governmental funds

0

Amounts due to other non-governmental funds are not reported in the government-wide financial statements

(142959)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 939029

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES**

YEAR ENDED MARCH 31, 2004

	<u>GENERAL FUND</u>	<u>CEMETERY FUND</u>	<u>CAPITAL PROJECTS FUND</u>
<u>REVENUE</u>			
General Property taxes	\$ 102320	\$	\$
Other local taxes	33348		
Penalties, interest, and fees-taxes	12493		
Licenses, permits, and fines	1125		
Sale of property			
Use of money and property	15777	479	2658
Charges for services	5146	21700	
Miscellaneous	3333	11620	109
Intergovernmental	<u>95733</u>		
TOTAL REVENUE	\$ 269275	\$ 33799	\$ 2767
<u>EXPENDITURES</u>			
<i>Current Operating:</i>			
General government	86642		
Legislative	30345		
Township property	32081		
Public safety	19080		
Public works	65850		
Cemetery		27315	
Sanitation and health			
Culture and recreation	1540		
Community development			
Capital Outlay	12704	2331	
Intergovernmental Payments			
TOTAL EXPENDITURES	248242	29646	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	21033	4153	2767
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers in	0	2331	
Operating transfers out	<u>0</u>		
TOTAL OTHER FINANCING SOURCES (USES)	0	2331	0
NET CHANGE IN FUND BALANCES	21033	6484	2767
FUND BALANCES - BEGINNING OF YEAR	823696	19296	67069
FUND BALANCES - END OF YEAR	\$ <u>844729</u>	\$ <u>25780</u>	\$ <u>69836</u>

IRON RIVER TOWNSHIP

GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED MARCH 31, 2004

OTHER NON-MAJOR GOVERNMENTAL FUNDS		TOTAL GOVERNMENTAL FUNDS
\$		\$
	0	102320
		33348
		12493
		1125
		0
	5247	24161
	3100	29946
		15062
	<u>523</u>	<u>96256</u>
\$	8870	\$ 314711
		86642
		30345
		32081
	560	19640
		65850
	1223	28538
		0
		1540
		0
		15035
		<u>0</u>
	1783	279671
	7087	35040
	0	2331
	<u>(2331)</u>	<u>(2331)</u>
	(2331)	0
	4756	35040
	105347	1015408
\$	<u>110103</u>	\$ <u>1050448</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2004

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 35040

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(3584)
Capital Outlay	<u>15035</u>

Total	11451
-------	-------

Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds	0
---	---

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	0
--	---

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	0
---	---

Increases (Decreases) in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6	0
---	---

Eliminate interfund transfers to non-governmental funds	<u>0</u>
---	----------

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u><u>46491</u></u>
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The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**STATEMENT OF FUND NET ASSETS
ENTERPRISE FUNDS**

MARCH 31, 2004

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>
<u>ASSETS</u>			
<i>Current Assets</i>			
Cash and Investments, unrestricted	\$ 44951	\$ 134029	\$ 178980
Accounts Receivables, net	15416	2811	18227
Due from other funds	<u> </u>	<u> </u>	<u>0</u>
Total Current Assets	60367	136840	197207
<i>Noncurrent Assets</i>			
Restricted cash and Investments	190211	0	190211
Capital assets:			
Buildings	10000		10000
Equipment	214387	45657	260044
Infrastructure	22500	2830907	2853407
Less:			
Allowance for depreciation	<u>(94254)</u>	<u>(900783)</u>	<u>(995037)</u>
Total capital assets, net	<u>152633</u>	<u>1975781</u>	<u>2128414</u>
Total Noncurrent Assets	342844	1975781	2318625
TOTAL ASSETS	\$ 403211	\$ 2112621	\$ 2515832
<u>LIABILITIES</u>			
<i>Current Liabilities</i>			
Due to other funds	0	128052	128052
Deferred revenues	<u>0</u>	<u>0</u>	<u>0</u>
Total Current Liabilities	0	128052	128052
TOTAL LIABILITIES	0	128052	128052
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	152633	1975781	2128414
Designated	190211	0	190211
Unrestricted/Undesignated	<u>60367</u>	<u>8788</u>	<u>69155</u>
TOTAL NET ASSETS	\$ <u>403211</u>	\$ <u>1984569</u>	\$ <u>2387780</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS**

YEAR ENDED MARCH 31, 2004

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 122716	\$ 120315	\$ 243031
Miscellaneous	<u> </u>	<u>5889</u>	<u>5889</u>
Total Operating Revenues	122716	126204	248920
<u>OPERATING EXPENSES</u>			
Personal Services and Benefits	40979	8385	49364
Contractual Services	68467	61432	129899
Repairs and Maintenance	6569	697	7266
Other Supplies and Expenses	32901	6937	39838
Administrative Expenses	216	14	230
Depreciation	18400	59812	78212
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Expenses	167532	137277	304809
OPERATING INCOME (LOSS)	(44816)	(11073)	(55889)
Non-Operating Revenues (Expenses)			
Interest and Investment Revenue	9455	969	10424
Interest Expense	<u>0</u>	<u>0</u>	<u>0</u>
Total Non-Operating Revenues (Expenses)	9455	969	10424
CHANGE IN NET ASSETS	(35361)	(10104)	(45465)
<u>NET ASSETS, JULY 1, BEFORE RESTATEMENT</u>	413372	(218036)	195336
Add:			
Cumulative Effect of Change in Accounting Principles	<u>25200</u>	<u>2212709</u>	<u>2237909</u>
NET ASSETS, JULY 1, AFTER RESTATEMENT	438572	1994673	2433245
NET ASSETS, JUNE 30	\$ <u>403211</u>	\$ <u>1984569</u>	\$ <u>2387780</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS**

FISCAL YEAR ENDED MARCH 31, 2004

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
CASH FLOWS FROM (USED BY)			
<u>OPERATING ACTIVITIES</u>			
Net cash received from fees and services	\$ 125361	\$ 128440	\$ 253801
Other operating revenues	0	0	0
Cash payments to employees for services	(40979)	(8385)	(49364)
Cash payments for goods and services	(108153)	(69080)	(177233)
Other operating expenses	<u>0</u>	<u>0</u>	<u>0</u>
NET CASH FROM OPERATING ACTIVITIES	\$ (23771)	\$ 50975	\$ 27204
<u>NON CAPITAL AND FINANCING ACTIVITIES</u>			
Increase (decrease) in due to other funds	0	(19274)	(19274)
(Increase) decrease in due from other funds	0	0	0
Net operating transfers in (out)	<u>0</u>	<u>0</u>	<u>0</u>
NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	\$ 0	\$ (19274)	\$ (19274)
<u>CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Acquisition and construction of capital assets	0	0	0
Principal payment on long-term bonds	0	0	0
Interest paid on long-term bonds	0	0	0
Interest and tax expense	0	0	0
Proceeds from borrowing	0	0	0
Contributed capital grants	<u>0</u>	<u>0</u>	<u>0</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ 0	\$ 0	\$ 0
<u>INVESTING ACTIVITIES</u>			
Increase in Investments	(10856)	0	(10856)
Gain on Investments	701	0	701
Interest income	<u>8754</u>	<u>969</u>	<u>9723</u>
NET CASH FROM INVESTING ACTIVITIES	(1401)	969	(432)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(25172)	32670	7498
Cash and Cash Equivalents, Beginning of Year	<u>70123</u>	<u>101359</u>	<u>171482</u>
Cash and Cash Equivalents, End of Year	\$ <u>44951</u>	\$ <u>134029</u>	\$ <u>178980</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Operating Income	\$ (44816)	\$ (11073)	\$ (55889)
Adjustment to reconcile operating income to net cash provided by operating activities:			
. Depreciation	18400	59812	78212
. Provision for uncollectible accounts	0	0	0
. Changes in assets and liabilities:			
(Increase) Decrease in accounts receivable	2645	2236	4881
Increase (Decrease) in accounts payable	0	0	0
Increase (Decrease) in deferred revenue	0	0	0
Increase (Decrease) in customer deposits	0	0	0
Increase (Decrease) in accrued salaries and wages	0	0	0
NET CASH FROM OPERATING ACTIVITIES	\$ <u>(23771)</u>	\$ <u>50975</u>	\$ <u>27204</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS

MARCH 31, 2004

		AGENCY FUNDS
<u>ASSETS</u>		
Cash and Cash Equivalents	\$	<u>53526</u>
TOTAL ASSETS		53526
 <u>LIABILITIES</u>		
Due to Other Funds		14907
Due to Other Governmental Units		<u>38619</u>
TOTAL LIABILITIES		53526
 <u>NET ASSETS</u>		
Unrestricted		<u>0</u>
TOTAL NET ASSETS	\$	<u><u>0</u></u>

The notes to the financial statements are an integral part of this report.

**NOTES TO THE FINANCIAL
STATEMENTS**

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by **Iron River Township**, Iron River, Michigan, conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

THE FINANCIAL REPORTING ENTITY

The Township was organized in 1882 and operates under an elected Board of Trustees (5 people) and provides services to its residents including liquor law enforcement, general administration, and cemetery, water, and sewer services. On July 01, 2000, the City of Iron River was reformed and the Village of Mineral Hills, which had been part of the Township, was annexed by the new City of Iron River. In accordance with the provisions of GASB 14, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by GASB 14 for determining the various governmental organizations to be included in the reporting entity's financial statements include separation of electing governing body and legal status, and fiscal independence.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THE FINANCIAL REPORTING ENTITY (Continued)

On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the Township as discretely presented component units.

BLENDED COMPONENT UNITS

A blended component unit is a legally separate entity from the local unit, but it is so intertwined with the unit that it is, in substance, the same as the local governmental unit.

A basic strategy of GASB 14 is to present financial information for component units separately from the financial information for the primary government. This is achieved through the discrete presentation method. However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BLENDED COMPONENT UNITS (Continued)

When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

On this basis, there are no blended component units to be reported.

JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINT VENTURES (Continued)

An ongoing financial responsibility is determined as a participating government's obligation in some manner for debts or the joint venture's existence depends on continued funding by the participating government.

There are no joint ventures to be reported.

JOINTLY GOVERNED ORGANIZATIONS

A jointly governed organization is a multigovernmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

West Iron County Sewer Authority

The Township of Iron River entered into an agreement with several governmental entities to form the West Iron County Sewer Authority.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS (Continued)

West Iron County Sewer Authority
(Continued)

The Authority was established in August 1972 under the provisions of Act 233, Public Acts of Michigan, 1955, as amended, and was organized to provide sewer service to the cities of Iron River, Caspian, and Gaastra, and a portion of Iron River Township. The first grant applications were filed in 1982. Members from each participating municipality are appointed by their respective governmental entities to serve on the Board of Trustees of the West Iron County Sewer Authority.

Pursuant to the terms of the Authority's Sewer Use Ordinances adopted by the Authority and each Constituent Municipality, the Authority bills each Constituent Municipality monthly based on such Constituent Municipality's percentage of Equal Dwelling Units ("EDUs") to the total member of EDUs for the entire system.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS (Continued)

West Iron County Sewer Authority
(Continued)

Billing to end users is done by each Constituent Municipality using its own billing system and methodology.

Under the EDU system, the Authority adopts a preliminary budget in April of each year for its next fiscal year beginning the following July 01. This preliminary budget is presented to each Constituent Municipality for review and consideration in its budgeting process. Prior to adopting its final budget in June of each year for the fiscal year beginning the following July 01, the Authority holds a public hearing with respect to the preliminary budget.

The preliminary and final budgets calculated EDU charges to cover both operation, maintenance, and replacement ("OMR") expenses and debt retirement expenses.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS (Continued)

West Iron County Sewer Authority
(Continued)

Included in OMR charges are funds for future replacements of all major plant equipment.

During the fiscal year ended March 31, 2004, the Township of Iron River paid to the Authority fees totalling \$ 54,684 for OMR and debt retirement.

Financial statements for the West Iron County Sewer Authority can be requested by writing to:

West Iron County Sewer Authority
P.O. Box 246
Caspian, Michigan 49915

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS (Continued)

West Iron County Fire Board

The West Iron County Fire Board was organized in 1987 and provides fire protection for Iron River, Bates and Stambaugh Townships, and the City of Iron River, Iron County, Michigan.

The Board operates under an appointed Board of Commissioners (9 people) and provides fire protection services to more than 4500 residents.

The Board is funded by assessments from the participating municipalities.

Financial statements are available by writing to:

West Iron County Fire Board
P.O. Box 203
Iron River, Michigan 49935

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS (Continued)

West Iron County Volunteer Fire Department

The West Iron County Volunteer Fire Department was organized in 1987 and consists of volunteer fire fighters from the City of Iron River and the Townships of Bates, Iron River, and Stambaugh.

The purpose of the organization is to preserve and protect all life and property as declared by the West Iron County Fire Board. The officers, elected by a plurality of votes of members present at the annual meeting consist of a Chief, Assistant Chief, First Captain, Second Captain, Training Officer, and Secretary/Treasurer.

Complete financial statements of the West Iron County Volunteer Fire Department can be obtained from:

West Iron County Volunteer Fire Department
640 9th Street
Iron River, Michigan 49935

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RELATED ORGANIZATIONS

A related organization is an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relations) even though the primary government appoints a voting majority of the organization's governing board.

There are no related organizations to be reported.

BASIS OF PRESENTATION

The Township follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 adds the following components to the financial statements:

Management's Discussion and Analysis

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Government-wide financial statements

These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Annual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

Statement of Net Assets

The Statement of Net Assets displays the financial position of the primary government (government and business-type activities).

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Statement of Net Assets (Continued)

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expenses - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government are broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities

The statement of program activities reports expenses and revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

Budgetary comparison schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Township and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary governmental entities for which the government is considered to be financially accountable.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the Township as a whole) and fund financial statements. The reporting model focus is on both the Township as a whole and the fund financial statements, including the major individual funds of governmental and business-type categories, as well as the fiduciary funds, (by category).

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Both governmental-wide and fund financial statements presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The Township generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The Township may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, culture and recreation, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The program revenues must be directly associated with the function (public safety, public works, culture and recreation, etc.) or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Township does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

In the fund financial statements, financial transactions and accounts of the Township are organized in the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing sets of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The Township's fiduciary funds are presented in the fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)

*Cumulative Effect of a Change in Accounting
Principle*

With the implementation of GASB 34, the opening retained earnings balances in the Township's Water and Sewer Funds were adjusted to reflect the cumulative effect of a change in accounting principle.

The Township had previously adopted the reporting prescribed by the National Council on Governmental Accounting (NCGA Statement No. 2, "Grant Entitlement and Shared Revenue Accounting and Reporting by State and Local Governments").

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (Continued)

*Cumulative Effect of a Change in Accounting
Principle* (Continued)

The statement required that the depreciation of fixed assets purchased with restricted grant funds or shared revenue be closed directly to the contributed capital account that was created when the restricted or shared revenue was received. The contributed capital account, less accumulated amortization, was a component of the fund equity.

This statement was superseded by GASB Statement 34, which no longer recognizes the contributed capital account.

The result was a substantial cumulative effect of a change in accounting principle, which effectively restated the opening retained earning balance and eliminated the previous deficit in the Sewer Fund.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF PRESENTATION (Continued)

The various funds are grouped, in the financial statements in this report, into several broad categories as follows:

GOVERNMENTAL FUNDS

These funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the Township's expendable financial resources and the related current liabilities, except those accounted for in the Proprietary Fund, are accounted for through the Governmental Funds.

These funds are as follows:

General Fund

This fund is used for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

General Fund (Continued)

Revenues are derived primarily from property taxes and state and federal distributions, grants, and other intergovernmental revenues.

The General Fund is always considered to be a major fund for reporting purposes.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

The Township's *Liquor Law Enforcement*, and *Cemetery (Operating)* funds are Special Revenue Funds.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

Special Revenue Funds (Continued)

For reporting purposes, the Cemetery (Operating) Fund is a major fund; the Liquor Law Enforcement Fund is non-major fund.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings--and not principal--may be used for purposes that support the government's programs--that is, for the benefit of the public.

The Township's Cemetery Perpetual Care Fund is a Permanent Fund.

For reporting purposes, the Cemetery Perpetual Care Fund is a non-major fund.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS (Continued)

Capital Projects Fund

These funds are used to account for the purchase and/or construction of capital facilities by a governmental unit which are not accounted for by Proprietary Funds, Special Assessment Funds, or Trust Funds. The various resources of the governmental unit to be used in the projects, such as General Fund contributions, grants from other units or government and bond proceeds, flow into the Capital Project Fund. Expenditures incurred in the development of the facility are also recorded within the Capital Project Fund.

The Township's Capital Project Fund is considered to be a major fund for reporting purposes.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPRIETARY FUNDS

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises----where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

The Township's Water Fund and Sewer Fund are Enterprise Funds. Both qualify as major funds for reporting purposes.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FIDUCIARY FUNDS

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds.

The Township's Current Tax Collection Fund is a Fiduciary Fund.

MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

The government-wide statement of net assets and statement of activities, all proprietary funds, and private trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets. Proprietary fund-type operating statements present increase (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net assets, statement of activities, financial statement of Proprietary Funds and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

The fund financial statements of the General, Special Revenue, Permanent, and Capital Projects funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants revenue is considered to be measurable and available as revenue when related eligible expenditures are incurred.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

MEASUREMENT FOCUS (Continued)

Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

The local government unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

ENCUMBRANCES

It is the Township's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

CASH AND CASH EQUIVALENTS

The Township pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The Township classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

INVENTORIES

Inventories of supplies are expended as received.

RECEIVABLES

Accounts which will be collected within sixty days of year-end are accrued as accounts receivable in the General, Permanent, and Special Revenue Funds. User charges for the Proprietary Fund are recorded as receivable when billed. On an annual basis the charges are reviewed for collectibility. Those deemed uncollectible are assigned to the tax roll.

INTEREST RECEIVABLE

Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

DUE TO/FROM OTHER FUNDS

Transactions between funds that had not been paid or received as of fiscal year end have been recorded as interfund accounts receivable and payable in the financial statements. These interfund receivables and payables do not represent Board-approved loans between funds.

DEFERRED REVENUE

Deferred revenue represents amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances represent the amount that has been legally identified for specific purposes. Designated fund balances represent amounts earmarked by the Township for future expenditures.

Unreserved retained earnings represent net assets available for future operations or distribution. Reserved retained earnings represent net assets that have been legally identified for specific purposes. Designated retained earnings represent amounts earmarked by the Township for future expenditures.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

BUDGETS AND BUDGETARY ACCOUNTING

The Township follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting procedures. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. Unexpended appropriations lapse at fiscal year-end.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31 of the preceding fiscal year, the Township prepares a budget for the next fiscal year beginning April 01. The operating budget includes proposed expenditures and the means of financing them.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

BUDGETS AND BUDGETARY ACCOUNTING
(Continued)

2. A meeting of the Township Board is then called for the purpose of adopting the proposed budget after sufficient public notice of the meeting has been given.
3. Prior to April 01, the budget is legally enacted through passage of a resolution by the members of the Township Board.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Township Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPERTY TAX

Property taxes are levied on December 31 and payable in two installments, July 01 and December 01. The Township bills and collects its own property taxes and also collects taxes for the school districts, county, and library.

Collections for the schools, county, and library are accounted for in the Trust and Agency Fund. Township property tax revenues are recognized when levied to the extent they are receivable. The County of Iron purchases from the Township the delinquent real property taxes outstanding as of March 31 of each year.

The 2003 taxable valuation of the Township totaled \$ 33,275,799, on which ad valorem taxes levied consisted of 3.0752 mills for general operating purposes.

IRON RIVER TOWNSHIP

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

NON-MONETARY TRANSACTIONS

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

CAPITAL ASSETS

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the governmental-wide statements to the extent the Township's capitalization threshold of \$ 500 is met. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings.....	20 - 30 years
Infrastructure.....	10 - 65 years
Furniture and Other Equipment.....	5 - 20 years

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

To the extent the Township's capitalization threshold of \$ 500 is met, capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the governmental-wide basis using the straight-line method and the following estimated useful lives:

Land Improvements..... 20 years

Equipment..... 5 - 20 years

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS (Continued)

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

COMPENSATED ABSENCES

Vacation

Full time Township employees may earn paid vacation after one year of employment. The employees earn paid vacation as follows:

- 1) After 1 year of employment, employees earn 6 days of paid vacation.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

COMPENSATED ABSENCES (Continued)

Vacation (Continued)

- 2) After 5 years of employment, employees earn 12 days of paid vacation.
- 3) After 10 years of employment, employees earn 18 days of paid vacation.
- 4) After 15 years of employment, employees earn 24 days of paid vacation.

Vacation time may carry over to the following year. At March 31, 2004, the Township's liability for accrued vacation, plus the related costs of FICA and Medicare was \$ 894.

Sick/Funeral Leave

Full time employees are granted 3 days for sick leave and 3 days for funeral leave. Sick and funeral leave may not carry over to the following year.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

POST-EMPLOYMENT BENEFITS

The Township offers no post-employment benefits.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - INTERFUND ACTIVITIES

INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables do not represent interfund borrowings; instead, they represent actual amounts which are pending between funds at year-end due to the timing of cash flows. Generally, these amounts clear shortly after year-end when resources become available.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE B - INTERFUND ACTIVITIES (CONTINUED)

The amounts of the interfund receivables and payables as of March 31, 2004 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 142959	\$ 0
Cemetery	1500	0
Sewer	0	128052
Trust and Agency	0	16407
Totals	\$ <u>144459</u>	\$ <u>144459</u>

OPERATING TRANSFERS

Interfund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE B - INTERFUND ACTIVITIES (CONTINUED)

OPERATING TRANSFERS (Continued)

During the fiscal year ended March 31, 2004, the Township authorized the following transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Cemetery Fund	\$ 2331	\$ 0
Cemetery Perpetual Care Trust Fund	0	2331
Totals	\$ <u>2331</u>	\$ <u>2331</u>

NOTE C - CASH, DEPOSITS, AND INVESTMENTS

PRIMARY GOVERNMENT

On March 31, 2004, the carrying value of the Township's deposits (Primary Government) was \$ 459,855 and is comprised of cash and deposits reflected in the following funds:

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT (Continued)

Governmental Funds	
General Fund	\$ 188226
Liquor Law Enforcement Fund	898
Cemetery Fund	24280
Township Improvement Revolving Fund	<u>5382</u>
Total Governmental Funds	218786
Enterprise Funds	
Water Supply System Fund	44951
Sewer Fund	<u>134029</u>
Total Enterprise Funds	178980
Fiduciary Funds	
Tax Collection Fund	<u>53526</u>
Total Fiduciary Funds	53526
Permanent Funds	
Cemetery Perpetual Care Trust Fund	<u>8563</u>
Total Permanent Funds	8563
TOTAL PRIMARY GOVERNMENT	\$ 459855

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

The three levels of risk are as follows:

Category 1	Deposits which are insured or collateralized with securities held by the Township or by its agent in the Township's name.
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Category 2	Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.
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IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

Category 3 Deposits which are not
collateralized or
insured.

Based on these levels of risk, the
Township's cash deposits (Primary
Government) are classified as follows:

SCHEDULE OF CASH AND DEPOSITS

PRIMARY GOVERNMENT

	<u>Category</u> <u>1</u>	<u>Category</u> <u>2</u>	<u>Category</u> <u>3</u>	<u>Totals</u>
Cash and Deposits	\$ 116988	\$ -0-	\$ 342867	\$ 459855

INVESTMENTS

The Township's investments are categorized
below to give an indication of the level of
risk assumed at year-end.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

INVESTMENTS (Continued)

Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. **Category 2** includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the Township's name. **Category 3** includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the Township's name.

Investments for the Township are reflected below:

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
	\$ -0-	\$ 860444	\$ -0-	\$ 860444	\$ 860444
Total Investments	\$ -0-	\$ 860444	\$ -0-	\$ 860444	\$ 860444

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY

Act 196, PA 1997, authorizes the Township to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.
5. Bankers acceptances of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds registered under the Investment Act of 1950 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

STATUTORY AUTHORITY (Continued)

The Township has adopted an investment policy, allowing for all types of deposits and investments listed above. The Township's deposits and investments are in compliance with its investment policy.

NOTE D - PENSION PLAN

The Township maintains a fully funded pension plan for its full-time employees and trustees through Manulife Financial. The contribution for the year ended March 31, 2004 was \$ 6,800. The plan is fully funded by annuity contracts. On the most recent statement prepared, as of December 2003, the value of the account was \$ 31,269.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

BUDGET VIOLATIONS

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated. The Township's actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis. The approved budgets of **Iron River Township** were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

The total actual 2003-2004 expenditures for the following activities (cost centers) exceeded the amended budget allocations by a total of \$ 21,157, contrary to the provisions of Section 17 of Public Act 621 of 1978, the "Uniform Budgeting and Accounting Act".

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS
(CONTINUED)

BUDGET VIOLATIONS (Continued)

<u>ACTIVITY (COST CENTER)</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>OVER</u> <u>EXPENDITURES</u>
<u>General Fund</u>	\$	\$	\$
Township Board	30345	24447	5898
Supervisor	12655	12238	417
Assessor	18343	17000	1343
Elections	219	170	49
Clerk	24430	21090	3340
Treasurer	28489	23680	4809
Board of Review	894	670	224
Zoning	2816	2075	741
Cemetery Fund	29646	25310	4336

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE F - ACCUMULATED FUND DEFICITS

At March 31, 2004, the Township had no fund balance/retained earnings deficit in any fund.

NOTE G - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in the past three fiscal years.

NOTE H - CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended March 31, 2004:

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE H - CAPITAL ASSETS (CONTINUED)

	Balance March 31, 2003	<u>Increases</u>	<u>Decreases</u>	Balance March 31, 2004
<u>GOVERNMENTAL ACTIVITIES</u>				
Capital Assets Not Being Depreciated	\$	\$	\$	\$
Land and Land Improvements	5226	0	0	5226
Total Capital Assets Not Being Depreciated	\$ 5226	\$ 0	\$ 0	\$ 5226
<u>Other Capital Assets</u>				
Buildings	227086	11500	0	238586
Furniture & Other Equip.	67882	1204	0	69086
Water Lines	0	2331	0	2331
Total Other Cap. Assets	\$ 294968	\$ 15035	\$ 0	\$ 310003
<u>Less Accumulated Depreciation for:</u>				
Buildings	(225021)	(329)	0	(225350)
Furniture & Other Equip.	(55085)	(3235)	0	(58320)
Water Lines	0	(19)	0	(19)
Total Accum. Depreciation	(280106)	(3583)	0	(283689)
Other Capital Assets, Net	14862	11452	0	26314
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>20088</u>	\$ <u>11452</u>	\$ <u>0</u>	\$ <u>31540</u>

Depreciation was charged to governmental
functions as unallocated.

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE H - CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended March 31, 2004:

	Balance March 31, <u>2003</u>	<u>Increases</u>	<u>Decreases</u>	Balance March 31, <u>2004</u>
<u>BUSINESS-TYPE ACTIVITIES</u>				
<u>Capital Assets Not</u>				
<u>Being Depreciated:</u>				
Land	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Capital Assets:</u>				
Buildings	10000	0	0	10000
Machinery and				
Equipment	260045	0	0	260045
Water Mains/Lines	22500	0	0	22500
Sewer Mains/Lines	<u>2830907</u>	<u>0</u>	<u>0</u>	<u>2830907</u>
Total Capital Assets	\$ 3123452	\$ 0	\$ 0	\$ 3123452

(Continued on page 78)

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE H - CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES (Continued)

(Continued from previous page)

	Balance March 31, <u>2003</u>	<u>Increases</u>	<u>Decreases</u>	Balance March 31, <u>2004</u>
Less Accumulated				
<u>Depreciation for:</u>				
Buildings	\$ (3800)	\$ (200)	\$ 0	\$ (4000)
Machinery and Equipment	(96851)	(21097)	0	(117948)
Water Mains/Lines	(7650)	(500)	0	(8150)
Sewer Mains/Lines	<u>(807834)</u>	<u>(56414)</u>	<u>0</u>	<u>(864248)</u>
Total Accumulated Depreciation	<u>(916135)</u>	<u>(78211)</u>	<u>0</u>	<u>(994346)</u>
 TOTAL BUSINESS-TYPE ACTIVITIES	 \$ <u>2207317</u>	 \$ <u>(78211)</u>	 \$ <u>0</u>	 \$ <u>2129106</u>

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE I - LONG-TERM DEBT

There is no long-term debt for the Township
at fiscal year ended March 31, 2004.

NOTE J - SEGMENT INFORMATION - Enterprise Fund

	<u>Water Supply System Fund</u>	<u>Sewer Fund</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 122716	\$ 126204	\$ 248920
Depreciation and Amortization Expense	18400	59812	78212
Operating Income or (Loss)			
Operating Grants, Entitlements, and Shared Revenues	0	0	0
Operating Transfers:			
In	0	0	0
(Out)	0	0	0
Tax Revenues	0	0	0
Net Income or Loss	(35361)	(10104)	(45465)

(Continued on page 80)

IRON RIVER TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2004

NOTE J - SEGMENT INFORMATION - Enterprise Fund (CONTINUED)

(Continued from previous page)

	<u>Water Supply System Fund</u>	<u>Sewer Fund</u>	<u>Total Enterprise Funds</u>
Current Capital:	\$	\$	\$
Contributions	0	0	0
Transfers	0	0	0
Property, Plant, and Equipment			
Additions	0	0	0
Deletions	0	0	0
Net Working Capital	403211	1984569	2387780
Total Assets	403211	2112621	2515832
Bonds and Other Long-Term Liabilities	0	0	0
Payable from Operating Revenues	0	0	0
Payable from Other Sources	0	0	0
Total Equity	403211	1984569	2387780

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE K - RELATED PARTY TRANSACTIONS

Related parties exist when there is a relationship that offers potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

On this basis, there are no related party transactions reported in the financial statements.

IRON RIVER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

MARCH 31, 2004

NOTE L - SUBSEQUENT EVENTS

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure. They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended March 31, 2004, there were no subsequent events that would have a significant affect on the Township's operations.

NOTE M - COMMITMENTS AND CONTINGENCIES

The Township is currently a party to several appeals taken before the Michigan Tax Tribunal. Adverse rulings on any of these appeals could result in a requirement that the Township pay substantial tax refunds. Due to the uncertainty of both the outcome of these proceedings and the monetary amount of the liability to the Township, no adjustment has been in the financial statements to reflect this potential liability.

REQUIRED SUPPLEMENTAL INFORMATION

IRON RIVER TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

YEAR ENDED MARCH 31, 2004

<u>REVENUES</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>
General property taxes	\$ 90000	\$ 90000	\$ 102320
Other local taxes/administration fees	33020	27020	45841
Licenses, permits, and fees	1000	1000	1125
Sale of property	0	0	0
Use of money and property	10750	10750	15777
Charges for services-tax collection	6000	6000	5146
Miscellaneous	250	0	3333
Intergovernmental	<u>85000</u>	<u>85000</u>	<u>95733</u>
TOTAL REVENUES	226020	219770	269275
<u>EXPENDITURES</u>			
General government	63280	76923	86642
Legislative	24600	24447	30345
Township property	30180	76468	32081
Department of Public Works	130250	116622	65850
Public Safety	19000	19150	19080
Parks and Recreation	3400	3000	1540
Capital Outlay	<u>50000</u>	<u>0</u>	<u>12704</u>
TOTAL EXPENDITURES	320710	316610	248242
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers in	0	0	0
Operating transfers out	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0
NET CHANGE IN FUND BALANCE	(94690)	(96840)	21033
FUND BALANCE - BEGINNING OF YEAR	823696	823696	823696
FUND BALANCE - END OF YEAR	\$ 729006	\$ 726856	\$ 844729

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - CEMETERY FUND**

YEAR ENDED MARCH 31, 2004

<u>REVENUES</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>
Grave Openings	\$ 19335	\$ 19335	\$ 21700
Sale of Lots	5000	5000	11500
Interest and Other Revenue	<u>1000</u>	<u>1000</u>	<u>599</u>
TOTAL REVENUES	25335	25335	33799
<u>EXPENDITURES</u>			
Salaries and benefits	20850	20850	20419
Repair and maintenance	1500	1500	3598
Other supplies and expenses	2985	2960	3298
Capital outlay	<u>0</u>	<u>0</u>	<u>2331</u>
TOTAL EXPENDITURES	25335	25310	29646
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers in	0	0	2331
Operating transfers out	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OTHER FINANCING SOURCES (USES)	0	0	2331
NET CHANGE IN FUND BALANCE	0	25	6484
FUND BALANCE - BEGINNING OF YEAR	19296	19296	19296
FUND BALANCE - END OF YEAR	\$ 19296	\$ 19321	\$ 25780

The notes to the financial statements are an integral part of this report.

OTHER SUPPLEMENTAL INFORMATION

IRON RIVER TOWNSHIP

OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

MARCH 31, 2004

	<u>LIQUOR LAW ENFORCEMENT FUND</u>	<u>CEMETERY PERPETUAL CARE FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Investments (Note C)	\$ 898	\$ 110705	\$ 111603
TOTAL ASSETS	\$ 898	\$ 110705	\$ 111603
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Due to Other Funds	0	1500	1500
TOTAL LIABILITIES	0	1500	1500
<u>FUND BALANCES</u>			
Reserved for Liquor Law Enforcement	898		898
Reserved for Cemetery Perpetual Care		83856	83856
Reserved for Cemetery Operations		25349	25349
TOTAL FUND BALANCES	\$ 898	\$ 109205	\$ 110103

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

OTHER SUPPLEMENTAL INFORMATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS

MARCH 31, 2004

	<u>LIQUOR LAW ENFORCEMENT FUND</u>	<u>CEMETERY PERPETUAL CARE FUND</u>	<u>TOTAL</u>
<u>REVENUES</u>			
Use of money and property	\$ 61	\$ 5186	\$ 5247
Charges for services		3100	3100
Miscellaneous			
Intergovernmental	<u>523</u>	<u> </u>	<u>523</u>
TOTAL REVENUES	\$ 584	\$ 8286	\$ 8870
<u>EXPENDITURES</u>			
Current:			
Public safety	560		560
Cemetery	<u> </u>	<u>1223</u>	<u>1223</u>
TOTAL EXPENDITURES	560	1223	1783
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 24	 7063	 7087
 <u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers in	0	0	0
Operating transfers out	<u>0</u>	<u>(2331)</u>	<u>(2331)</u>
TOTAL OTHER FINANCING SOURCES (USES)	0	(2331)	(2331)
 NET CHANGE IN FUND BALANCE	 24	 4732	 4756
 FUND BALANCE - BEGINNING OF YEAR	 <u>874</u>	 <u>104473</u>	 <u>105347</u>
FUND BALANCE - END OF YEAR	\$ <u>898</u>	\$ <u>109205</u>	\$ <u>110103</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS

MARCH 31, 2004

<u>ASSETS</u>	<u>CEMETERY FUND</u>	<u>LIQUOR LAW ENFORCEMENT FUND</u>	<u>TOTAL</u>
Cash	\$ 24280	\$ 898	\$ 25178
Due From Other Funds	<u>1500</u>	<u>0</u>	<u>1500</u>
TOTAL ASSETS	\$ <u>25780</u>	\$ <u>898</u>	\$ <u>26678</u>
 <u>FUND EQUITY</u>			
Fund Balance	<u>25780</u>	<u>898</u>	<u>26678</u>
TOTAL FUND EQUITY	\$ <u>25780</u>	\$ <u>898</u>	\$ <u>26678</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY
ALL SPECIAL REVENUE FUNDS**

FISCAL YEAR ENDED MARCH 31, 2004

<u>REVENUES</u>	<u>CEMETERY FUND</u>	<u>LIQUOR LAW ENFORCEMENT FUND</u>	<u>TOTAL</u>
State Grants	\$ 0	\$ 523	\$ 523
Charges for Services	21700		21700
Interest Income	129	11	140
Rental Income	350	50	400
Other Income	<u>11620</u>		<u>11620</u>
TOTAL REVENUES	33799	584	34383
 <u>EXPENDITURES</u>			
Salaries	18968	520	19488
Fringe Benefits	1451	40	1491
Supplies	209		209
Gas, Oil, and Fuel	677		677
Repair and Maintenance	3598		3598
Contract Services	460		460
Telephone	353		353
Printing and Publishing	105		105
Utilities	823		823
Mileage	410		410
Conference	220		220
Miscellaneous	41		41
Capital Outlay	<u>2331</u>		<u>2331</u>
TOTAL EXPENDITURES	29646	560	30206
Excess of Revenues Over (Under) Expenditures	4153	24	4177
<u>Other Financing Sources (Uses)</u>			
Operating Transfers In (Out)	2331	0	2331
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>6484</u>	<u>24</u>	<u>6508</u>
 FUND EQUITY, APRIL 1	 <u>19296</u>	 <u>874</u>	 <u>20170</u>
FUND EQUITY, MARCH 31	\$ <u>25780</u>	\$ <u>898</u>	\$ <u>26678</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**COMBINING BALANCE SHEET
ALL PROPRIETARY FUND TYPES**

MARCH 31, 2004

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Deposits:			
Restricted	\$ 0	\$ 0	\$ 0
Unrestricted	44951	134029	178980
Investments:			
Designated for System Improvement	190211		190211
Undesignated	0		0
Accounts Receivable	15416	2811	18227
Property, Plant, and Equipment	246887	2876565	3123452
Accumulated Depreciation	<u>(94254)</u>	<u>(900784)</u>	<u>(995038)</u>
TOTAL ASSETS	\$ <u>403211</u>	\$ <u>2112621</u>	\$ <u>2515832</u>
 <u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Due to Other Funds	<u>0</u>	<u>128052</u>	<u>128052</u>
Total Liabilities	0	128052	128052
 <u>FUND EQUITY</u>			
Retained Earnings (Deficit):			
Unreserved - designated	190211		190211
Unreserved - undesignated	<u>213000</u>	<u>1984569</u>	<u>2197569</u>
Total Fund Equity	<u>403211</u>	<u>1984569</u>	<u>2387780</u>
 TOTAL LIABILITIES AND FUND EQUITY	\$ <u>403211</u>	\$ <u>2112621</u>	\$ <u>2515832</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES**

FISCAL YEAR ENDED MARCH 31, 2004

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTALS</u>
OPERATING REVENUES			
Charges for Services	\$ 122716	\$ 120315	\$ 243031
Miscellaneous Revenue	<u> </u>	<u>5889</u>	<u>5889</u>
TOTAL OPERATING REVENUES	122716	126204	248920
 OPERATING EXPENSES			
Personal Services	\$ 38067	\$ 7789	\$ 45856
Fringe Benefits	2912	596	3508
Office Supplies	809	792	1601
Gas, Oil, and Fuel	2639	1094	3733
Repairs and Maintenance	6569	697	7266
Testing/Water Samples	2802		2802
Purchased Services	725	6748	7473
Engineering Services	67742		67742
Telephone	2900	776	3676
Printing/Publishing	216	14	230
Utilities	23476	4275	27751
Membership Dues	275		275
Sewer Treatment:			
Contract Services-O & M		36076	36076
Contract Services-Debt Retirement		18608	18608
Depreciation	<u>18400</u>	<u>59812</u>	<u>78212</u>
TOTAL OPERATING EXPENSES	<u>167532</u>	<u>137277</u>	<u>304809</u>
 Operating Profit (Loss)	(44816)	(11073)	(55889)
 <u>NON-OPERATING INCOME</u>			
Interest Income	8754	969	9723
Gain on Investments	701		701
 Net Income (Loss)	(35361)	(10104)	(45465)
 RETAINED EARNINGS, APRIL 01, BEFORE RESTATEMENT	413372	(218036)	195336
Add:			
Cumulative Effect of a Change in Accounting Principles	25200	2212709	2237909
RETAINED EARNINGS, APRIL 01, AFTER RESTATEMENT	<u>438572</u>	<u>1994673</u>	<u>2433245</u>
 RETAINED EARNINGS, MARCH 31	\$ <u>403211</u>	\$ <u>1984569</u>	\$ <u>2387780</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES**

FISCAL YEAR ENDED MARCH 31, 2004

CASH FLOWS FROM (USED BY)	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
<u>OPERATING ACTIVITIES</u>			
Net cash received from fees and services	\$ 125361	\$ 128440	\$ 253801
Other operating revenues	0	0	0
Cash payments to employees for services	(40979)	(8385)	(49364)
Cash payments for goods and services	(108153)	(69080)	(177233)
Other operating expenses	<u>0</u>	<u>0</u>	<u>0</u>
NET CASH FROM OPERATING ACTIVITIES	\$ (23771)	\$ 50975	\$ 27204
<u>NON CAPITAL AND FINANCING ACTIVITIES</u>			
Increase (decrease) in due to other funds	0	(19274)	(19274)
(Increase) decrease in due from other funds	0	0	0
Net operating transfers in (out)	<u>0</u>	<u>0</u>	<u>0</u>
NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	\$ 0	(19274)	(19274)
<u>CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Acquisition and construction of capital assets	0	0	0
Principal payment on long-term bonds	0	0	0
Interest paid on long-term bonds	0	0	0
Interest and tax expense	0	0	0
Proceeds from borrowings	0	0	0
Contributed capital grants	<u>0</u>	<u>0</u>	<u>0</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ 0	\$ 0	\$ 0
<u>INVESTING ACTIVITIES</u>			
Increase in Investments	(10856)		(10856)
Gain on Investments	701		701
Interest Income	<u>8754</u>	<u>969</u>	<u>9723</u>
NET CASH FROM INVESTING ACTIVITIES	\$ (1401)	\$ 969	\$ (432)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(25172)	32670	7498
Cash and Cash Equivalents, Beginning of Year	<u>70123</u>	<u>101359</u>	<u>171482</u>
Cash and Cash Equivalents, End of Year	\$ <u>44951</u>	\$ <u>134029</u>	\$ <u>178980</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES**

FISCAL YEAR ENDED MARCH 31, 2004

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
Operating Income	\$ (44816)	\$ (11073)	\$ (55889)
Adjustment to reconcile operating income to net cash provided by operating activities:			
. Depreciation	18400	59812	78212
. Provision for uncollectible accounts	0	0	0
. Changes in assets and liabilities:			
(Increase) Decrease in accounts receivable	2645	2236	4881
Increase (Decrease) in accounts payable	0	0	0
Increase (Decrease) in deferred revenue	0	0	0
Increase (Decrease) in customer deposits	0	0	0
Increase (Decrease) in accrued salaries and wages	0	0	0
NET CASH FROM OPERATING ACTIVITIES	\$ <u>(23771)</u>	\$ <u>50975</u>	\$ <u>27204</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

BALANCE SHEET - GENERAL FUND

MARCH 31, 2004

ASSETS

Cash and Deposits:	\$	
Restricted		0
Unrestricted		188226
Investments:		
Undesignated		503637
Receivables:		
Taxes		11375
Accounts		0
Due from Other Funds		<u>142959</u>
TOTAL ASSETS	\$	<u>846197</u>

LIABILITIES AND FUND EQUITY**LIABILITIES**

Deposits		75
Accounts Payable		499
Accrued Benefits		894
Due to Other Funds		0
Due to Other Governmental Units		<u>0</u>
TOTAL LIABILITIES		1468

FUND EQUITY

Fund Balance		
Restricted		0
Unrestricted		<u>844729</u>
TOTAL FUND EQUITY		<u>844729</u>

TOTAL LIABILITIES AND FUND EQUITY	\$	<u>846197</u>
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The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**STATEMENT OF REVENUES
GENERAL FUND - ACTUAL AND BUDGET**

FISCAL YEAR ENDED MARCH 31, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>Taxes</u>			
Current Tax Levy	\$ 102320	\$ 90000	\$ 12320
Administrative Fees	12493	4500	7993
Payment in Lieu Of Taxes	691	600	91
Commercial Forest/Swamp Tax/Other	<u>32657</u>	<u>21920</u>	<u>10737</u>
Total Taxes	148161	117020	31141
 <u>State-Shared Receipts</u>			
Sales Tax	<u>95733</u>	<u>85000</u>	<u>10733</u>
Total State-Shared Receipts	95733	85000	10733
 <u>Charges for Services</u>			
Tax Collection	<u>5146</u>	<u>6000</u>	<u>(854)</u>
Total Charges for Services	5146	6000	(854)
 <u>Interest and Rental</u>			
Interest	14792	10350	4442
Hall Rental	<u>985</u>	<u>400</u>	<u>585</u>
Total Interest and Rental	15777	10750	5027
 <u>Other Revenue</u>			
Zoning Permits/Fees	1125	1000	125
Miscellaneous	1062	0	1062
Gain (Loss) on Investments	<u>2271</u>	<u>0</u>	<u>2271</u>
Total Other Revenue	<u>4458</u>	<u>1000</u>	<u>3458</u>
 TOTAL REVENUES - GENERAL FUND	 \$ <u>269275</u>	 \$ <u>219770</u>	 \$ <u>49505</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

STATEMENT OF EXPENDITURES
GENERAL FUND - ACTUAL AND BUDGET

FISCAL YEAR ENDED MARCH 31, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
LEGISLATIVE			
<i>Township Board</i>			
Salaries	\$ 3869	\$	\$
Fringe Benefits	1772		
Legal Services	19977		
Accounting and Audit	3968		
Membership Dues/Education	712		
Printing/Publishing	<u>47</u>	<u> </u>	<u> </u>
TOTAL LEGISLATIVE	\$ 30345	\$ 24447	\$ (5898)
 GENERAL GOVERNMENT			
<i>Supervisor</i>			
Salaries	8728		
Fringe Benefits	<u>3927</u>	<u> </u>	<u> </u>
Total Supervisor	12655	12238	(417)
 <i>Assessor</i>			
Professional Fees	15908		
Office Supplies	2220		
Miscellaneous	<u>215</u>	<u> </u>	<u> </u>
Total Assessor	18343	17000	(1343)
 <i>Elections</i>			
Professional Fees	0		
Printing & Publishing	0		
Supplies	219		
Miscellaneous	<u>0</u>	<u> </u>	<u> </u>
Total Elections	\$ 219	\$ 170	\$ (49)

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

STATEMENT OF EXPENDITURES
GENERAL FUND - ACTUAL AND BUDGET
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
GENERAL GOVERNMENT (Continued)			
Clerk			
Salaries	\$ 12468	\$	\$
Fringe Benefits	5610		
Office Supplies	3813		
Printing/Publishing	1206		
Professional Fees/Contract labor	<u>129</u>	<u> </u>	<u> </u>
Total Clerk	23226	21090	(2136)
 Treasurer			
Salaries	17149		
Fringe Benefits	7716		
Supplies	521		
Computer	635		
Tax Roll	1721		
Professional Fees/Contract Labor	612		
Membership Dues/Education	105		
Mileage	<u>30</u>	<u> </u>	<u> </u>
Total Treasurer	28489	23680	(4809)
 Board of Review			
Salaries	491		
Fringe Benefits	221		
Printing/Publishing	147		
Other	<u>35</u>	<u> </u>	<u> </u>
Total Board of Review	\$ 894	\$ 670	\$ (224)

The notes to the financial statements are an integral part of this return.

IRON RIVER TOWNSHIP

**STATEMENT OF EXPENDITURES
GENERAL FUND - ACTUAL AND BUDGET
(CONTINUED)**

FISCAL YEAR ENDED MARCH 31, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
GENERAL GOVERNMENT (Continued)			
<i>Zoning</i>	\$	\$	\$
Salaries	1365		
Fringe Benefits	612		
Printing/Publishing	834		
Miscellaneous	<u>5</u>	<u> </u>	<u> </u>
Total Zoning	<u>2816</u>	<u>2075</u>	<u>(741)</u>
 TOTAL GENERAL GOVERNMENT	 \$ 86642	 \$ 76923	 \$ (9719)
 TOWNSHIP PROPERTY			
<i>Township Hall</i>			
Salaries	6006		
Fringe Benefits	3453		
Insurance	9824		
Supplies	103		
Utilities	5808		
Repairs and Maintenance	1658		
Telephone	1225		
Gas, Oil, and Fuel	347		
Professional Fees/Contract Labor	3521		
Other	<u>136</u>	<u> </u>	<u> </u>
 TOTAL TOWNSHIP PROPERTY	 \$ 32081	 \$ 76468	 \$ 44387
 DEPARTMENT OF PUBLIC WORKS			
Salaries	1356		
Fringe Benefits	610		
Maintenance and Repair	5183		
Street Lighting	7391		
Professional Services	<u>51310</u>	<u> </u>	<u> </u>
 TOTAL DEPARTMENT OF PUBLIC WORKS	 \$ 65850	 \$ 116622	 \$ 50772

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

STATEMENT OF EXPENDITURES
GENERAL FUND - ACTUAL AND BUDGET
(CONTINUED)

FISCAL YEAR ENDED MARCH 31, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
PUBLIC SAFETY			
Fire Protection	\$ 19000	\$	\$
Land Division	<u>80</u>	<u> </u>	<u> </u>
TOTAL PUBLIC SAFETY	\$ 19080	\$ 19150	\$ 70
 RECREATION AND CULTURAL			
Parks			
Salaries	0		
Fringe Benefits	0		
Supplies	0		
Community Promotion	<u>1540</u>	<u> </u>	<u> </u>
TOTAL RECREATION AND CULTURAL	\$ 1540	\$ 3000	\$ 1460
 CAPITAL OUTLAY	 \$ 12704	 \$ 0	 \$ (12704)
 TOTAL EXPENDITURES	 \$ <u>248242</u>	 \$ <u>316610</u>	 \$ <u>68368</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

BALANCE SHEET
CEMETERY FUND

MARCH 31, 2004

ASSETS

Cash	\$	24280
Due from Other Funds		<u>1500</u>
TOTAL ASSETS	\$	<u>25780</u>

FUND EQUITY

Fund Balance		<u>25780</u>
TOTAL FUND EQUITY	\$	<u>25780</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
CEMETERY FUND**

FISCAL YEAR ENDED MARCH 31, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>			
Grave Openings	\$ 21700	\$ 19335	\$ 2365
Sale of Lots	11500	5000	6500
Vault Rental	350	1000	(650)
Interest	129		129
Other	<u>120</u>	<u> </u>	<u>120</u>
TOTAL REVENUES	33799	25335	8464
<u>EXPENDITURES</u>			
Salaries	18968	19200	232
Fringe Benefits	1451	1650	199
Supplies	209		(209)
Gas, Oil, and Fuel	677	1200	523
Repair and Maintenance	3598	1500	(2098)
Contract Services	460	1000	540
Telephone	353	300	(53)
Printing/Publishing	105	60	(45)
Utilities	823	400	(423)
Mileage	410		(410)
Conference	220		(220)
Miscellaneous	41		(41)
Capital Outlay	<u>2331</u>	<u> </u>	<u>(2331)</u>
TOTAL EXPENDITURES	29646	25310	(4336)
Excess of Revenues Over (Under) Expenditures	4153	25	4128
OTHER FINANCING SOURCES (USES)			
Operating Transfers In (Out)	2331	0	2331
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	6484	25	6459
FUND EQUITY, APRIL 1	\$ <u>19296</u>		
FUND EQUITY, MARCH 31	\$ <u>25780</u>		

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

BALANCE SHEET
LIQUOR LAW ENFORCEMENT FUND

MARCH 31, 2004

ASSETS

Cash	\$ <u>898</u>
TOTAL ASSETS	\$ <u><u>898</u></u>

FUND EQUITY

Fund Balance	\$ <u>898</u>
TOTAL FUND EQUITY	\$ <u><u>898</u></u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITY
ACTUAL AND BUDGET
LIQUOR LAW ENFORCEMENT FUND

FISCAL YEAR ENDED MARCH 31, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u> Favorable (Unfavorable)
<u>REVENUES</u>			
State Grants	\$ 523	\$ 550	\$ (27)
Rental	50	300	(250)
Interest	<u>11</u>	<u> </u>	<u>11</u>
TOTAL REVENUES	\$ 584	\$ 850	\$ (226)
<u>EXPENDITURES</u>			
Salaries	520	790	270
Fringe Benefits	<u>40</u>	<u>60</u>	<u>20</u>
TOTAL EXPENDITURES	560	850	290
Excess of Revenues Over (Under) Expenditures	24		24
 FUND BALANCE, APRIL 1	 <u>874</u>		
FUND BALANCE, MARCH 31	\$ <u><u>898</u></u>		

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

BALANCE SHEET
TOWNSHIP IMPROVEMENT REVOLVING FUND

MARCH 31, 2004

ASSETS

Cash and Deposits	\$	5382
Investments		<u>64454</u>
TOTAL ASSETS	\$	<u>69836</u>

FUND EQUITY

Fund Balance	\$	<u>69836</u>
TOTAL FUND EQUITY	\$	<u>69836</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TOWNSHIP IMPROVEMENT REVOLVING FUND

FISCAL YEAR ENDED MARCH 31, 2004

REVENUES

Interest Income	\$	2658
Gain on Investments		<u>109</u>
TOTAL REVENUES	\$	2767

EXPENDITURES

TOTAL EXPENDITURES	\$	-0-
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Excess of Revenues Over (Under) Expenditures		2767
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FUND BALANCE, APRIL 1	\$	<u>67069</u>
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FUND BALANCE, MARCH 31	\$	<u><u>69836</u></u>
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The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

BALANCE SHEET
CEMETERY PERPETUAL CARE TRUST FUND
(Permanent Fund)

MARCH 31, 2004

ASSETS

Cash and Deposits	\$ 8563
Investments	<u>102142</u>
TOTAL ASSETS	\$ <u>110705</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Due to Other Funds	<u>1500</u>
Total Liabilities	1500

FUND EQUITY

Fund Balance - Restricted for Perpetual Care	83856
Fund Balance - Restricted for Cemetery Operations	<u>25349</u>
Total Fund Equity	<u>109205</u>

TOTAL LIABILITIES AND FUND EQUITY	\$ <u>110705</u>
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The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CEMETERY PERPETUAL CARE TRUST FUND
(Permanent Fund)

FISCAL YEAR ENDED MARCH 31, 2004

	<u>EXPENDABLE</u>	<u>NON- EXPENDABLE</u>	<u>TOTAL</u>
<u>REVENUES</u>			
Perpetual care receipts	\$ 0	\$ 3100	\$ 3100
Interest	<u>5114</u>	<u> </u>	<u>5114</u>
TOTAL REVENUES	\$ <u>5114</u>	\$ <u>3100</u>	\$ <u>8214</u>
<u>EXPENDITURES</u>			
Supplies	893		893
Contract Labor	<u>330</u>	<u> </u>	<u>330</u>
TOTAL OPERATING EXPENSES	\$ 1223	\$ 0	\$ 1223
Excess of Revenues Over (Under) Expenditures	3891	3100	6991
<u>Other Financing Sources (Uses)</u>			
Transfer Out - Cemetery Fund	(2331)	-0-	(2331)
Gain on valuation of investments	<u>72</u>	<u>-0-</u>	<u>72</u>
Total Other Financing Sources (Uses)	(2259)	-0-	(2259)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>1632</u>	<u>3100</u>	<u>4732</u>
FUND BALANCE - APRIL 1	<u>23717</u>	<u>80756</u>	<u>104473</u>
FUND BALANCE - MARCH 31	\$ <u>25349</u>	\$ <u>83856</u>	\$ <u>109205</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**BALANCE SHEET
WATER FUND**

MARCH 31, 2004

ASSETS

Cash and Deposits:	\$	
Restricted		0
Unrestricted		44951
Investments:		
Designated for System Improvement		190211
Undesignated		0
Accounts Receivable		15416
Property, Plant, and Equipment		246887
Accumulated Depreciation		<u>(94254)</u>
TOTAL ASSETS	\$	<u>403211</u>

FUND EQUITY

Retained Earnings:		
Unreserved - designated		190211
Unreserved - undesignated		<u>213000</u>
TOTAL FUND EQUITY	\$	<u>403211</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
WATER FUND

FISCAL YEAR ENDED MARCH 31, 2004

OPERATING REVENUE

Charges for Services	\$ 122716
Miscellaneous Revenue	<u>0</u>
TOTAL OPERATING REVENUE	122716

OPERATING EXPENSES

Personal Services	\$ 38067
Fringe Benefits	2912
Office Supplies	809
Gas, Oil, and Fuel	2639
Repair and Maintenance	6569
Testing/Water Samples	2802
Purchased Services	725
Engineering Services	67742
Telephone	2900
Printing/Publishing	216
Utilities	23476
Membership Dues	275
Depreciation	<u>18400</u>
TOTAL OPERATING EXPENSES	167532

Operating Profit (Loss)	(44816)
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NON-OPERATING INCOME

Interest Income	8754
Gain on Investments	701

Net Income (Loss)	(35361)
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**RETAINED EARNINGS, APRIL 01, BEFORE
RESTATEMENT**

413372

Add:

Cumulative Effect of a Change in Accounting Principles	25200
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**RETAINED EARNINGS, APRIL 01, AFTER
RESTATEMENT**

438572

RETAINED EARNINGS, MARCH 31

\$ 403211

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

STATEMENT OF CASH FLOWS
WATER FUND

FISCAL YEAR ENDED MARCH 31, 2004

CASH FLOWS FROM (USED BY)

OPERATING ACTIVITIES

Net cash received from fees and services	\$ 125361
Other operating revenues	0
Cash payments to employees for services	(40979)
Cash payments for goods and services	(108153)
Other operating expenses	<u>0</u>

NET CASH FROM OPERATING ACTIVITIES	\$ (23771)
------------------------------------	------------

NON CAPITAL AND FINANCING ACTIVITIES

Increase (decrease) in due to other funds	0
(Increase) decrease in due from other funds	0
Net operating transfers in (out)	<u>0</u>

NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	\$ 0
---	------

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	0
Principal payment on long-term bonds	0
Interest paid on long-term bonds	0
Interest and tax expense	0
Proceeds from borrowings	0
Contributed capital grants	<u>0</u>

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ 0
--	------

INVESTING ACTIVITIES

Increase in Investments	(10856)
Gain on Investments	701
Interest Income	<u>8754</u>

NET CASH FROM INVESTING ACTIVITIES	\$ (1401)
------------------------------------	-----------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(25172)
---	---------

Cash and Cash Equivalents, Beginning of Year	<u>70123</u>
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Cash and Cash Equivalents, End of Year	\$ <u><u>44951</u></u>
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The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

STATEMENT OF CASH FLOWS
WATER FUND

FISCAL YEAR ENDED MARCH 31, 2004

**CASH FLOWS FROM OPERATING
ACTIVITIES**

Operating Income	\$ (44816)
Adjustment to reconcile operating income to net cash provided by operating activities:	
. Depreciation	18400
. Provision for uncollectible accounts	0
. Changes in assets and liabilities:	
(Increase) Decrease in accounts receivable	2645
Increase (Decrease) in accounts payable	0
Increase (Decrease) in deferred revenue	0
Increase (Decrease) in customer deposits	0
Increase (Decrease) in accrued salaries and wages	<u>0</u>
NET CASH FROM OPERATING ACTIVITIES	\$ <u>(23771)</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

BALANCE SHEET
SEWER FUND

MARCH 31, 2004

ASSETS

Cash and Deposits:	\$	
Restricted		0
Unrestricted		134029
Accounts Receivable		2811
Property, Plant, and Equipment		2876565
Accumulated Depreciation		(900784)
TOTAL ASSETS	\$	<u>2112621</u>

LIABILITIES AND FUND EQUITY
LIABILITIES

Due to Other Funds	<u>128052</u>
Total Liabilities	128052

FUND EQUITY

Retained Earnings	<u>1984569</u>
Total Fund Equity	<u>1984569</u>

TOTAL LIABILITIES AND FUND EQUITY	\$ <u>2112621</u>
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The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
SEWER FUND

FISCAL YEAR ENDED MARCH 31, 2004

OPERATING REVENUE

Charges for Services	\$ 120315
Miscellaneous Revenue	<u>5889</u>
TOTAL OPERATING REVENUE	126204

OPERATING EXPENSES

Personal Services	\$ 7789
Fringe Benefits	596
Office Supplies	792
Gas, Oil, and Fuel	1094
Repair and Maintenance	697
Purchased Services	6748
Telephone	776
Printing/Publishing	14
Utilities	4275
Sewer Treatment:	
Contract Services - O & M	36076
Contract Services - Debt Retirement	18608
Depreciation	<u>59812</u>
TOTAL OPERATING EXPENSES	137277

Operating Profit (Loss)	(11073)
-------------------------	---------

NON-OPERATING INCOME

Interest Income	969
Net Income (Loss)	(10104)

RETAINED EARNINGS, APRIL 01, BEFORE RESTATEMENT	(218036)
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Add:	
Cumulative Effect of a Change in Accounting Principles	2212709

RETAINED EARNINGS, APRIL 01, AFTER RESTATEMENT	<u>1994673</u>
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RETAINED EARNINGS, MARCH 31	\$ <u>1984569</u>
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The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

STATEMENT OF CASH FLOWS
SEWER FUND

FISCAL YEAR ENDED MARCH 31, 2004

CASH FLOWS FROM (USED BY)

OPERATING ACTIVITIES

Net cash received from fees and services	\$ 128440
Other operating revenues	0
Cash payments to employees for services	(8385)
Cash payments for goods and services	(69080)
Other operating expenses	<u>0</u>

NET CASH FROM OPERATING ACTIVITIES	\$ 50975
------------------------------------	----------

NON CAPITAL AND FINANCING ACTIVITIES

Increase (decrease) in due to other funds	(19274)
(Increase) decrease in due from other funds	0
Net operating transfers in (out)	<u>0</u>

NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES	\$ (19274)
---	------------

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	0
Principal payment on long-term bonds	0
Interest paid on long-term bonds	0
Interest and tax expense	0
Proceeds from borrowings	0
Contributed capital grants	<u>0</u>

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ 0
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INVESTING ACTIVITIES

Interest Income	<u>969</u>
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NET CASH FROM INVESTING ACTIVITIES	\$ 969
------------------------------------	--------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	32670
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Cash and Cash Equivalents, Beginning of Year	<u>101359</u>
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Cash and Cash Equivalents, End of Year	\$ <u>134029</u>
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The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

STATEMENT OF CASH FLOWS
SEWER FUND

FISCAL YEAR ENDED MARCH 31, 2004

**CASH FLOWS FROM OPERATING
ACTIVITIES**

Operating Income	\$ (11073)
Adjustment to reconcile operating income to net cash provided by operating activities:	
. Depreciation	59812
. Provision for uncollectible accounts	0
. Changes in assets and liabilities:	
(Increase) Decrease in accounts receivable	2236
Increase (Decrease) in accounts payable	0
Increase (Decrease) in deferred revenue	0
Increase (Decrease) in customer deposits	0
Increase (Decrease) in accrued salaries and wages	<u>0</u>
NET CASH FROM OPERATING ACTIVITIES	\$ <u>50975</u>

The notes to the financial statements are an integral part of this report.

IRON RIVER TOWNSHIP

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
TAX COLLECTION FUND**

FISCAL YEAR ENDED MARCH 31, 2004

	<u>APRIL 01,</u> <u>2003</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>MARCH 31,</u> <u>2004</u>
<u>ASSETS</u>				
Cash	\$ <u>37674</u>	\$ <u>1166487</u>	\$ <u>1150635</u>	\$ <u>53526</u>
 <u>LIABILITIES</u>				
Due to General Fund	9972	105838	100903	14907
Due to County	14720	510416	508134	17002
Due to WICPSD	3173	434845	428687	9331
Due to DIISD	2145	65738	65620	2263
Due to WID Library	957	36006	36386	577
Due to Other - CFR	<u>6707</u>	<u>13644</u>	<u>10905</u>	<u>9446</u>
 TOTAL LIABILITIES	 \$ <u>37674</u>	 \$ <u>1166487</u>	 \$ <u>1150635</u>	 \$ <u>53526</u>

The notes to the financial statements are an integral part of this report.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING**

DS Rostagno, CPA, P.C.

101 West Maple Street, Iron River, MI 49935

Tel (906) 265-1040 Fax (906) 265-1042

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Iron River Township
102 McNutt Road
Iron River, Michigan 49935

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund 2 information as of and for the year ended March 31, 2004, which collectively comprise **Iron River Township's** financial statements, and have issued our report thereon dated May 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Compliance

As part of obtaining reasonable assurance about whether **Iron River Township's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

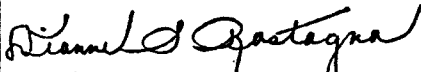
Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Iron River Township's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no such matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

However, we noted certain matters regarding the internal control structure and its operation that we have reported to the management of **Iron River Township**, Iron River, Michigan, in a separate letter dated May 27, 2004.

This report is intended for the information of the Board, administration, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties.



Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

May 27, 2004

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

May 27, 2004

Members of the Township Board
Iron River Township
Iron River, Michigan 49935

I have audited the financial statements of **Iron River Township** for the year ended March 31, 2004, and have issued my report thereon dated May 27, 2004. Professional standards require that I provide you with the following information related to the audit:

My Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards

As stated in my engagement letter April 28, 2004, my responsibility, as described by professional standards, is to plan and perform the audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by me.

As part of the audit, I considered the internal control of **Iron River Township**. Such considerations were solely for the purpose of determining the audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of **Iron River Township's** compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by **Iron River Township** are described in the Note to the financial statements. With the exception of the implementation of GASB 34, there were no new accounting policies adopted and the application of existing policies was not changed during this year. We noted no transactions entered into by **Iron River Township** during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There were no sensitive estimates affecting the financial statements as presented.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. These adjustments may include those proposed by me but not recorded by **Iron River Township** that could potentially cause future financial statements to be materially misstated, even though I have concluded that such adjustments are not material to the current financial statements. I proposed no audit adjustments that could, in my judgment, either individually or in the aggregate, have a significant effect on **Iron River Township's** financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of the audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors


I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as **Iron River Township's** auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing the audit.

This information is intended solely for the use of the Board and management of **Iron River Township** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Dianne S. Rostagno".

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

DS Rostagno, CPA, P.C.

101 West Maple Street, Iron River, MI 49935

Tel (906) 265-1040 Fax (906) 265-1042

Members of the Township Board
Iron River Township
102 McNutt Road
Iron River, Michigan 49935

In planning and performing the audit of the financial statements of **Iron River Township**, I considered the Township's internal control structure to plan the auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit, I noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect my report dated May 27, 2004 on the financial statements of **Iron River Township**. I will review the status of these comments during my next audit engagement. My comments and recommendations, which have been discussed with appropriate township officials, are intended to improve the internal control structure or result in other operating efficiencies. I will be pleased to discuss these comments in further detail at your convenience or to assist you in implementing the recommendations. My comments are summarized as follows:

BUDGETARY

***** Problem***

During the year ended March 31, 2004, the Township incurred several expenditures which were in excess of amounts appropriated.

Recommendation

In the future, closer monitoring should be done in regards to budgetary appropriations and expenditures.

PROPRIETARY FUND

***** Problem***

As was noted with the prior audit, the Township had an on-going deficit in the Sewer Fund.

Resolution

With implementation of GASB 34, this problem is resolved.

The Township had previously adopted the reporting prescribed by the National Council on Governmental Accounting, NCGA Statement No. 2, "Grant Entitlement and Shared Revenue Accounting and Reporting by State and Local Governments." The statement required that the depreciation of fixed assets purchased with restricted grant funds or shared revenue be closed directly to the contributed capital account that was created when the restricted or shared revenue has received. The contributed capital account, less accumulated amortization, was a component of the fund equity.

PROPRIETARY FUND (Continued)

Resolution (Continued)

This statement was superseded by GASB Statement 34, which no longer recognizes the contributed capital account.

The result was a substantial cumulative effect of a change in accounting principal, which effectively restated the opening retained earning balance and eliminated the deficit in the Sewer Fund.

INTERNAL CONTROL

****Problem**

In conjunction with the prior audit, it was noted that the utility accounts receivables were not reconciled to the general ledger during the year.

Recommendation

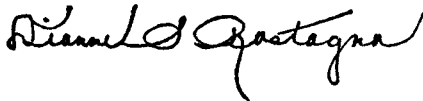
It was recommended that the Treasurer verify the general ledger accounts receivable balance for its utility funds each month prior to the finalization of the monthly financial statements.

Resolution

This has been satisfactorily resolved.

I wish to express my appreciation to the Township officials for their assistance during my audit engagement.

This report is intended solely for the information and use of the Township Board.



Dianne S. Rostagno
DS ROSTAGNO CPA, P.C.

May 27, 2004